

## CHAPTER 12

# PAYROLL AND PERSONNEL TRANSACTIONS

## SCOPE

This chapter is a brief summary of personnel rules and regulations and personnel transactions as determined by the State Personnel Department (SPD). Also included are descriptions of processes used by the Auditor of State (AOS) in the processing of payroll transactions.

### 12.1 STATUTORY AUTHORITY

IC 4-15-1.8, Sec 7, notes 21 responsibilities of SPD, which include, but are not limited to:

- Develop personnel policies, methods, procedures, and standards for all state agencies
- Formulate, establish, and administer position classification plans and salary and wage schedules, all subject to final approval by the governor
- Approve employees for transfer, demotion, promotion, suspension, layoff, and dismissal
- Rate employees' service
- Assist state agencies in the improvement of their personnel procedures
- Establish and administer an employee training and career advancement program

IC 4-15-7-1, **Nepotism**, states:

“(a) No person being related to any member of any state board or commission, or to the head of any state office or department or institution, as father, mother, brother, sister, uncle, aunt, a husband or wife, son or daughter, son-in-law or daughter-in-law, niece or nephew, shall be eligible to any position in any such state board, commission, office, or department or institution, as the case may be, nor shall any such relative be entitled to receive any compensation for his or her services out of any appropriation provided by law. (b) This section shall not apply if such person has been employed in the same position in such office or department or institution for at least twelve (12) consecutive months immediately preceding the appointment of his relative as a board member or head of such office, department, or institution.”

“(d) No persons related as father, mother, brother, sister, uncle, aunt, husband, wife, son, daughter, son-in-law, daughter-in-law, niece, or nephew may be placed in a direct supervisory-subordinate relationship.” Limited exceptions are noted in (b) and (c).”

IC 35-44-2-4, **Ghost employment**, states in part:

“(a) A public servant who knowingly or intentionally: 1) hires an employee for the governmental entity that he serves; and (2) fails to assign to the employee any duties, or assigns to the employee any duties not related to the operation of the governmental entity; commits ghost employment, a Class D felony. (b) A public servant who knowingly or intentionally assigns to an employee under his supervision any duties not related to the operation of the governmental entity that he serves commits ghost employment, a Class D felony. (c) A person employed by a governmental entity who, knowing that he has not been assigned any duties to perform for the entity, accepts property from the entity commits ghost employment, a Class D felony. (d) A person employed by a governmental entity who knowingly or intentionally accepts property from the entity for the performance of duties not related to the operation of the entity commits ghost employment, a Class D felony.”

IC 35-44-1-3, **Conflict of interest**, states in part:

“(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public

servant commits conflict of interest, a Class D felony.”

(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase . . . . .”

For further information and possible exemptions, see the Indiana Code and contact the State Attorney General or State Ethics Commission.

Due to their position of public trust, public servants should be extremely sensitive to any transactions that may cause concern of the taxpayers that either elected them or caused them to be appointed to or employed in a public office.

IC 4-7-1-2, **Powers and duties** (AOS) states in part:

“(8)Draw warrants on the treasurer of state or authorize disbursement through electronic funds transfer in conformity with IC 4-8.1-2-7 for all money directed by law to be paid out of the treasury to public officers or for any other object whatsoever as the warrants become payable.” This includes all salary or salary related payments for state employees.

#### 12.1.1 Indiana Administrative Code (IAC)

Indiana Administrative Code (IAC), Title 31, further details the following personnel rules:

- Article 1 - [Non-merit Rules](#)
- Article 2 - [Merit Rules](#)
- Article 3 - [Short and Long Term Disability Benefits for State Employees](#)
- Article 4 - [Retiree Flexible Spending Program](#)

## 12.2 ACCOUNTING THEORY

Although certain agencies are using the PeopleSoft system to collect time and labor information, this is not a required module as of January 1, 2008. Payroll costs will be expensed when paid through the current system (GEAC). After upload from GEAC to ENCOMPASS, payroll deductions are accrued and expensed in the financial system; when paid to outside vendors (taxing entities, insurance companies, etc.), the payable is reduced.

## 12.3 INTERNAL CONTROLS

Regardless of the system used to process payroll transactions, an internal control system should be in place to assure correctness and accuracy on payroll related documents. Attendance reports should be dated as of the last day worked, should be signed by the employee, and should be approved by a direct supervisor.

To minimize risk and to prevent the creation and payment of non-existent employees, payroll checks should not be distributed by the same person who initiates and records the agency payroll.

## 12.4 BUSINESS PROCESSES

#### 12.4.1 State Personnel

The SPD website, [www.in.gov/jobs](http://www.in.gov/jobs), includes a wide variety of information of interest to state employees, ranging from a job bank listing to an employee newsletter to discounts for state employees. Forms and all information regarding the SPD's responsibilities are easily accessible, along with phone

numbers of contacts in the various programs.

Agency payroll/benefit/HR staff should access current policies and procedures at [www.in.gov/jobs](http://www.in.gov/jobs) and disseminate necessary information to agency staff.

#### 12.4.1.1 Attendance Report (A-4)

The Employee's Attendance Report is to be used for all employees paid through the Auditor of State's payroll system. If a different attendance report or recording method is used, it must include the same information as the A-4, facilitate the entering of data into the payroll system, and be approved by the State Board of Accounts.

A state employee must submit an attendance report for each pay period. This report should be contain accurate information and be signed and dated by the employee, on or after the last day worked in the pay period. Attendance reports may be electronically signed by the employee but a hand signature is required by the approving supervisor unless additional controls approved by the State Board of Accounts are implemented. Attendance reports should be submitted timely so that submission of payroll to the AOS is not delayed.

The completed attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee or his/her designee who has knowledge of the employee's attendance. This review should be completed prior to submission of payroll to the AOS. If an alternative procedure is needed, contact the State Board of Accounts for assistance and approval.

#### 12.4.1.2 Employee Service Record

The State Employee Service Record (State Form 34400R) is an optional form that can be used to supplement the Auditor of State's records. A separate form is kept for each employee for each fiscal year. The record is posted from the employee's attendance report at the end of each pay period to show regular time worked, the accumulation and use of leave, and compensatory time. When properly maintained, this form gives an accurate picture of an individual's working time, compensatory time earned and used, and leave accumulation and use. This form can be beneficial when there is substantial compensatory time. Although this is an optional form, this information can be useful in the preparation of reports and internal management of personnel.

#### 12.4.1.3 Overtime Eligible Employees

State employees who are subject to the federal Fair Labor Standards Act and/or are listed in 31 IAC 1-9-2 (d) (1), 31 IAC 2-11-2 (d) (1), Financial Management Circular 2002-01, or Financial Management Circular 2004-1, may be eligible to receive premium overtime compensation (i.e., be compensated for overtime at a time and a half rate) for working in excess of forty (40) hours a week. These individuals are commonly referred to as overtime eligible or "non-exempt." The Employee Attendance Report must reflect all overtime worked. Monetary compensation for overtime is to be paid along with the regular payment of wages for the pay period in which the overtime was worked.

Financial Management Circular 89-2 provides that prior approval of the State Personnel Department and the Budget Agency is not required when the overtime is needed to provide essential coverage (i.e., when necessary to ensure the health and welfare and/or safety of citizens, patients, inmates, residents and/or students) and when an overtime log is completed and forwarded to the agency's budget analyst within ten days after the end of the month.

Financial Management Circular 96-2 provides that Budget Agency approval is not required for individual overtime transactions that have been previously approved in the agency's annual Financial Management Plan.

Overtime eligible employees may be permitted to choose compensatory time off in lieu of monetary overtime compensation. State Personnel rules 31 IAC 1-9-2(g) and 31 IAC 2-11-2(g) cover compensatory time off and provide that, in most cases, compensatory time off accrued by overtime eligible employees must be taken prior to the end of the calendar quarter succeeding the quarter in which the additional hours were worked.

Special rules apply to law enforcement personnel, including Correctional Officers. See 31 IAC 1-9-2 (l) and 31 IAC 2-11-2 (l).

#### 12.4.1.4 Overtime Exempt Employees – Comp Time

State employees performing exempt work are not eligible for premium overtime compensation. Employees performing exempt work may only be paid monetary overtime compensation if the agency head receives prior approval from the State Personnel Department and Budget Agency, consistent with 31 IAC 1-9-2(d)(2), 31 IAC 2-11-2(d)(2) or Financial Management Circular 2004-2.

Agency heads may authorize compensatory time off for employees required to perform exempt work substantially beyond their normal work schedule. Compensatory time off for overtime exempt employees must be accrued and taken in accordance with the Financial Management Circular 2004-2. Compensatory time rules include:

- An exempt employee must receive prior approval from his/her supervisor to work on a specific task for a specific number of hours.
- Compensatory time off should not accrue for projects that will take less than four hours of overtime work.
- Compensatory time off must be used in half or whole day increments, except as otherwise provided in the Family and Medical Leave Act.
- No exempt employee may use more than three weeks of compensatory time off during a calendar year.
- The Employee Compensatory Time Worksheet (State Form 42386) should be completed and submitted with every attendance report in which compensatory time is earned or used.
- Compensatory time earned or used must be reported on the Employee's Attendance Report.
- Accumulated compensatory time off may not be used after an exempt employee has given notice of her/his intent to terminate employment or transfer interagency. Upon termination or interagency transfer, the exempt employee receives no compensation for accumulated compensatory time.
- All compensatory time used or earned must be posted to an attendance report.

#### 12.4.2 Auditor of State

The Auditor of State issues the payroll warrants, disburses withholdings, and maintains the official state payroll records. All payroll personnel should have a copy of the State of Indiana Payroll Manual issued by the Auditor of State. This manual provides instructions and guidance on processing payroll through the Auditor's Office, including the proper forms to use and instructions for their completion.

##### 12.4.2.1 Payroll Microfiche

The Auditor of State distributes payroll microfiche on a bi-weekly basis which corresponds with that agency's payroll. The following microfiche are generated for each pay period:

- **Gross to Net Register**  
Contains Current, Month to Date, Quarter to Date, and Year to Date totals for regular, overtime, and other hours (leave time, etc.), taxes withheld, net amount of warrant or deposit, and check number for each employee. Employees are listed alphabetically within each sub-agency, with totals by sub-agency.

- **Deductions/Other Earnings Register**  
Contains Current, Month to Date, Quarter to Date, and Year to Date totals for all deductions and other earnings. Employees are listed alphabetically within each sub-agency.
- **Hours Register**  
Contains Current, Month to Date, Quarter to Date, and Year to Date totals for regular and overtime hours worked, accrued and used vacation, sick, and personal leave, as well as available leave balances. Employees are listed alphabetically within each sub-agency.
- **Labor Distribution**  
Contains Current regular and total earnings, plus all State share benefit deductions including F.I.C.A. tax paid by the State of Indiana as an employer. Employees are listed by social security number within each sub-agency. This microfiche is designed to show the total expenses involved when employing and paying a State employee for a bi-weekly payroll cycle.

For additional information regarding payroll microfiche, please refer to the Payroll Manual or contact your Auditor of State payroll representative.

#### 12.4.2.2 Payroll and ENCOMPASS

At the present time, the AOS will continue to process payroll transactions through GEAC by uploads from agency diskettes. Payroll totals will be processed to ENCOMPASS general ledger through an interface with GEAC. Based on the mapping of the fund centers to new funds, payroll will be posted in ENCOMPASS. Agencies can establish default chartfields (department, program, project) by prior fund centers. Agency employees are responsible for allocating payroll costs to other applicable chartfield combinations. Allocation of payroll should be completed through a Journal Entry to the general ledger (GL).